LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 51** SLS 09RS 393
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ HSE COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 11, 2009 11:15 AM
Author: HEITMEIER
Dept./Agy.: Health and Hospitals
Subject: intergovernmental transfer
Analyst: Shawn Hotstream

HEALTH/HOSPITALS DEPT RE1 INCREASE FF EX See Note

Authorizes the Department of Health and Hospitals to accept intergovernmental transfers from local governing bodies for the purpose of enhancing the provision of health care services for uninsured and Medicaid patients. (8/15/09)

Proposed law grants DHH the authority to accept intergovernmental transfers (IGT) from local governing bodies, including but not limited to parishes to enhance services to the uninsured and Medicaid patients. Proposed law further grants the department the authority to establish a payment methodology for the distribution of transfer funds and associated federal financial participation (utilizing a pool), and establish criteria to determine eligibility to participate in the payment.

Proposed law authorizes DHH to submit either a waiver or state plan change necessary to the Centers for Medicare and Medicaid Services to grant IGT authority.

EXPENDITURES	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**5 -YEAR TOTAL**
State Gen. Fd.						
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	INCREASE	INCREASE	INCREASE	**$0**
Local Funds	$0	$0	INCREASE	INCREASE	INCREASE	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	INCREASE	INCREASE	INCREASE	**$0**
Local Funds	$0	$0	INCREASE	INCREASE	INCREASE	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

Federal fund expenditures of the Department of Health and Hospitals (DHH) may increase by a significant but indeterminable amount in future fiscal years as a result of this measure. The bill authorizes DHH to accept Intergovernmental Transfers (IGT's). The Intergovernmental Transfer (IGT) is a transfer of funds between different levels of government utilized as a financing mechanism to enhance the federal contribution to a state's Medicaid program. Specifically, DHH may use federal financial participation generated from funds received through intergovernmental transfers from local governing bodies (including but not limited to parishes) to enhance health services (Medicaid payments or Disproportionate Share Hospital payments to publicly owned provider) both in the jurisdiction of the transferring entity and outside of the jurisdiction of the transferring body.

DHH has indicated that seven parishes (containing large non-state public hospitals) are likely to participate in IGT's at a minimum. Should this occur, the department projects an IGT agreement between $10 and $15 M based on individual hospital estimates. As an illustrative example, $12.5 M (assume mid point of the range) in IGT funds from local governments will generate approximately $26 M in FFP, resulting in total supplemental payments of $38.5 M reimbursed back to local governments (or providers).

This legislation appears to allow two supplemental payment options, either through Disproportionate Share Hospital (DSH) payments for reimbursable uncompensated care costs or by allowing an enhanced Medicaid claims payment rate on Medicaid services. However, aggregate payment amounts for both reimbursement options are limited. Current federal rules indicate that the IGT funding mechanism is limited by the upper payment limit (UPL) for Medicaid claims. The UPL is the maximum amount a state can pay a health care provider for providing services to Medicaid eligibles. The Medicaid UPL equals the payment that Medicare would pay for that same service. Based on the latest UPL calculations, available UPL for non-state public hospitals is $34 M (for both inpatient and outpatient services), and available UPL for private non state hospitals is $120 M. IGT payments to cover DSH costs are not limited by the UPL, but only by a state's total DSH cap and hospital specific allowable costs cap.

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REVENUE EXPLANATION

Both local and federal fund revenues are anticipated to increase by a significant but indeterminable amount as a result of this measure. DHH is authorized and may choose to use local funds to draw down federal financial participation to make additional Medicaid or DSH payments to facilities.

Dual Referral Rules

Senate
- [x] 13.5.1 >= $500,000 Annual Fiscal Cost
- [ ] 13.5.2 >= $500,000 Annual Tax or Fee Change

House
- [x] 6.8(F) >= $500,000 Annual Fiscal Cost
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

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CONTINUED EXPLANATION from page one:

Note: The expenditure and revenue tables above do not reflect any additional payments from IGT's until FY 11/12. This is based on budget limitations. Based on HB 1 Original, appropriated supplemental Medicaid payments to hospitals in the amount of $146.1 M appear to eliminate any available upper payment limit for approximately 2 years. In addition, the executive budget appropriation may limit any additional DSH payments until FY 11/12 due to the hospital specific DSH cap availability. To the extent that there is remaining DSH costs for an individual hospital after the supplemental hospital payments as reflected in HB 1 Original, additional DSH payments may be made to DSH hospitals beginning in FY 10. Any additional federal funds used for uncompensated care costs payments would be calculated against Louisiana's Disproportionate Share Hospital (DSH) payment cap. Appropriated funding in HB 1 Original indicates that the state is approximately $101 M from the federal DSH cap. In addition to budget limitations, language in the stimulus bill (American Recovery and Reinvestment Act of 2009) appears to prevent IGT's for the duration of the enhanced FMAP stimulus (language restricting any increases on non federal share from political subdivisions). The LFO has requested a ruling from the federal government through NCSL, and is waiting on a response.

Note: Certified Public expenditures have historically been used as a financing mechanism for the Medicaid program. Based on HB 1, approximately $65 M in CPE 's are being used to partially finance the Medicaid program in FY 09/10. Should CPE's continue to be appropriated and used as match in the Medicaid program, this bill could have a corresponding impact on the availability of CPE's used in future fiscal years. It is likely that additional Medicaid payments or DSH payments will reduce available CPE's by a proportionate amount of the new IGT payments.

Senate Dual Referral Rules

[x] 13.5.1 >= $500,000 Annual Fiscal Cost
[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change

House

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